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NATIONAL BISCUIT COMPANY

ANNUAL REPORT

DECEMBER 31, 1935

MRC
CORP. FILE

To the Stockholders of
NATIONAL BISCUIT COMPANY



The following Statements
show the
INCOME AND EARNED SURPLUS
and
CONSOLIDATED BALANCE SHEET

of the Company at the close of business
December 31, 1935.

CONSOLIDATED INCOME AND EARNED SURPLUS

Earnings for the year 1935:

From Operations	\$14,072,626.27*
From Interest, etc.	402,252.60
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	Total
	\$14,474,878.87
Less:	
Depreciation	\$2,742,225.74
Provision for Federal and Foreign Income Taxes	1,746,632.71
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Net Earnings for the year	\$ 9,986,020.42*
Earned Surplus December 31, 1934	14,042,793.37
Revaluation of Securities	509,746.28
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	\$24,538,560.07
Less:	
Preferred Dividends Paid	\$1,735,699.00
Common Dividends Paid	8,160,054.45
Common Dividend, payable January 15, 1936	2,510,687.00
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Earned Surplus December 31, 1935	\$12,132,119.62

*The earnings as stated above are before deducting strike expenses aggregating \$721,451.48,
which were not charged to operations but to Insurance and Contingent Reserve.

CONSOLIDATED

ASSETS

Cash	\$23,299,063.69
(Includes \$1,073,743.10 deposited in escrow to secure payment of Processing Taxes.)	
U. S. Bonds	757,500.00
(Quoted Market \$816,362.51)	
Municipal Bonds (N. Y. City)	18,500.00
(Quoted Market \$19,798.13)	
Note: \$403,500.00 Principal Amount U. S. and N. Y. C. Bonds deposited for special reasons.	
Accounts Receivable	2,350,463.22
Raw Materials, Supplies and Finished Product	9,446,623.42
(At Cost or Market, whichever is lower, less Special Inventory Reserve of \$1,019,381.51 charged to prior earnings.)	
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Total Current Assets	\$35,872,150.33
Notes and Mortgages Receivable	146,700.54
Notes and Accounts of Officers and Employees	197,972.50
(For Capital Stock Subscriptions)	
Company's Capital Stock Purchased for Resale to Employees	373,844.95
(Quoted Market \$434,010.50)	
Plants, Real Estate, Machinery, Intangibles, etc.	87,017,978.07
(At Cost in Cash or Capital Stock, Less Allowances for Depreciation.)	
Prepaid Insurance and Deferred Charges	907,508.23
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Total	\$124,516,154.62
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BALANCE SHEET

LIABILITIES

Accounts Payable <small>(Purchase Invoices, Pay Rolls, Processing Taxes and other Accruals not due for payment.)</small>	\$2,909,001.04
Common Dividend, payable January 15, 1936	2,510,687.00
Reserve for Federal and Foreign Income Taxes	1,887,147.75
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Total Current Liabilities	\$7,306,835.79
Insurance and Contingent Reserve	7,722,205.67
Capital Stock, Preferred <small>(Par Value \$100.00—7% Cumulative) Shares authorized 250,000, issued 248,045</small>	24,804,500.00
Capital Stock, Common <small>(Par Value \$10.00) Shares authorized 12,000,000, issued 6,289,448</small>	62,894,480.00
Earned Surplus	12,132,119.62
Capital Surplus	9,656,013.54
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Total	\$124,516,154.62
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CERTIFICATE OF AUDITORS

The President and Board of Directors,
National Biscuit Company,
New York, N. Y.

We have made an examination of the consolidated balance sheet of the National Biscuit Company and its subsidiary companies as at December 31, 1935, and of the statement of consolidated income and surplus for the year 1935. In connection therewith, we examined or tested accounting records of the parent company and of its subsidiaries and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based on such examination, the accompanying consolidated balance sheet and related statement of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, their consolidated position at December 31, 1935, and the results of their operations for the year.

LYBRAND, ROSS BROS. & MONTGOMERY

February 5, 1936.

The foregoing balance sheet shows the financial condition of our Company at the close of its thirty-eighth fiscal year.

During the year 1935 we sold \$237,500.00 par value United States Bonds and \$12,008,000.00 par value New York City Bonds, which transactions are reflected in the Cash account. The Bonds remaining on hand are carried at par, with the December 31st, 1935 quoted market indicated in each case.

The Company continues its policy of keeping its baking facilities in step with modern methods. The construction and general arrangements of the bakery buildings at Omaha,

Nebraska; Mansfield, Ohio; Indianapolis, Indiana; and St. Joseph, Missouri, were such that they could not be adapted to up-to-date processes, and as a result operations were discontinued at these plants during the past year. The production of these bakeries was absorbed in nearby plants more adaptable to modern improvements.

In July a bill was introduced in Congress as an amendment to the Agricultural Adjustment Act, designed to limit the taxpayers' right to recover processing taxes illegally collected. In order to preserve the Company's rights, suits in equity were brought to enjoin the collection of further processing taxes. The amounts of

the taxes involved in these suits have been deposited in banks subject to order of the courts, pending decision of the questions raised in these cases. At the close of the year, \$1,073,743.10 had been so deposited. Claims have been filed for refund of all processing taxes aggregating \$4,095,432.00 paid by the Company prior to the mentioned suits.

For more than thirty years our Company was entirely free from labor disputes. Our wage rates are the highest and working conditions are the best in the industry. Under the President's Re-Employment Agreement, our Company dealt with groups of

employees and their representatives - some union and some non-union - and entered into various agreements. Among these was an agreement with a newly formed union in our New York Bakeries that there would be neither a strike nor a lockout before submitting any dispute to mediation, and in our Philadelphia Bakery a newly formed union agreed in July 1934, after receiving increases in wage rates, to make no further demands for wage increases for one year from that date.

In violation of its agreement, the Philadelphia union demanded additional increases for

more than two hundred employees. We stood by the agreement and the Philadelphia employees walked out on strike on January 8, 1935. On the same day, employees of our New York Bakeries walked out in sympathy, thus violating their agreement. Shortly thereafter, sympathetic strikes were called at our Newark, Atlanta and York Bakeries.

These strikes continued for about four months before they were settled and employees then returned on as near full time basis as orders permitted and at the same wage scale in effect before the strike.

About five years ago a few of the smaller units in this industry, previously operating in their local territories, inaugurated a plan of selling over a wider area a few plain and sweet varieties in carload lots at very much reduced prices. Later, several new companies came into the field following the same plan. The sales and deliveries of this group are to warehouses of chain store companies and wholesale grocers, freight paid by consignee. Our plan of distribution and service is on an entirely different basis. Our product is of a perishable nature and we continue to make store door deliveries of over ninety-five per cent of our total sales

through two hundred and fifty-seven selling branches located in every section of the country. This makes for fresh merchandise by cutting the time between oven and home. The constantly maintained quality of our product, plus its freshness, assures to this Company continued goodwill and an increasing volume of business as general conditions improve.

ROY E. TOMLINSON,
President

DIRECTORS

FREDERICK BEERS	ALBERT G. BIXLER
HENRY J. COCHRAN	FRANKLIN D'OLIER
ROBERT A. FAIRBAIRN	HOWARD M. HANNA
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EDWARD S. MOORE	PAUL MOORE
JACKSON E. REYNOLDS	ROY E. TOMLINSON, Chairman
WYNANT D. VANDERPOOL	FREDERICK S. WHEELER

JOHN G. ZELLER

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ROBERT A. FAIRBAIRN	EDWARD S. MOORE
PAUL MOORE	ROY E. TOMLINSON

FREDERICK S. WHEELER

FRANK E. BUGBEE, Secretary to the Board

TRANSFER AGENT
GUARANTY TRUST COMPANY
New York

REGISTRAR
FIRST NATIONAL BANK
New York

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ROY E. TOMLINSON

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FREDERICK BEERS	Production Department
FRANK K. MONTGOMERY	Sales Department
CHARLES P. MONTGOMERY	Purchasing Department
CLYDE S. STILWELL	Legal Department

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ERNEST B. TOMLINSON	Chicago

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GEORGE A. MITCHELL	Assistant Controller
CHARLES F. BLISS	Secretary
GEORGE H. COPPERS	Assistant Secretary
HENRY C. TAYLOR	Treasurer
FREDERICK F. BRODESSER	Assistant Treasurer

